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Bright, John Morgan

Currency

Washington

1874

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CURRENCY.

SPEECH

OF

HON. JOHN M. BRIGHT,

OF TENNESSEE,

IN THE

HOUSE OF REPRESENTATIVES,

SATURDAY, JUNE 13, 1874.

"And it came to pass in those days, that there went out a decree from Cæsar Augustus that all the world should be taxed."—*Luke* ii, 1.

"What mean ye that ye beat my people to pieces, and grind the faces of the poor? saith the Lord God of hosts."—*Is.* iii, 15.

WASHINGTON:
GOVERNMENT PRINTING OFFICE
1874.

SPEECH

OF

HON. JOHN M. BRIGHT.

On the report of the committee of conference on the disagreeing votes of the two Houses on the bill (H. R. No. 1572) to amend the several acts providing a national currency and to establish free banking, and for other purposes.

Mr. BRIGHT. Mr. Speaker, I have heretofore spoken on the insufficiency of our currency, its unequal distribution, the way it should be increased, and its equilibrium restored. I shall not repeat those arguments.

I propose now to speak on the *quality* of our currency, which is a different thing from the quantity, the unwise policy of the Government in relation to it, and the true road to financial prosperity and relief.

Before proceeding to the work laid out, I shall notice several fallacies and misconceptions on which the President's recent veto message seems to have been based. The pith of the veto was that the financial bill was against the interest of creditors, and that there was a sufficiency of currency, because there were about four million not taken of the fifty-four million authorized by the act of 1870 for banking purposes. So far from sanctioning an increase of currency, he demanded an increase of taxation to pay Government expenses and provide a surplus of gold in the Treasury to redeem the Government currency. The newspapers and people understood the President to mean that the four million "not taken" had not been "called for." The statement fell short of the truth, and was made in the face of the fact that there were one hundred and twenty-nine applications for national-bank charters then on file in the office of the Comptroller of the Currency. Some of these applications had been on file more than a year before the veto of the President.

Hear the proof:

TREASURY DEPARTMENT,
OFFICE OF COMPTROLLER OF THE CURRENCY,
Washington, April 16, 1864.

SIR: In reply to your letter of the 15th instant, you are informed that the whole amount of the $54,000,000 authorized by act of Congress of July 12, 1870, remaining to be issued to banking associations is $4,315,528.

The whole number of applications on file awaiting action of Congress is one hundred and twenty-nine.

Very respectfully,

JOHN JAY KNOX,
Comptroller of Currency.

Hon. JOHN M. BRIGHT,
House of Representatives, Washington.

This letter of the Comptroller is subversive of the President's veto. Doubtless other applications for banking privileges would have been made if they had not been forestalled by the assurance that they could

not be granted without "the action of Congress." The excuse of the Comptroller for not issuing the balance of the fifty-four millions cannot avail him; that is, that the 3 per cent. certificates should be canceled in equal amounts to the national-bank notes issued. No fair construction of the law can make the redemption of the 3 per cent. certificates a limitation upon the issue of the fifty-four millions. Their redemption was only incidental to the issue of the fifty-four millions, and was but a process for their retirement; and when they were retired the law was imperative to proceed with issue of the national currency; and when the fifty-four millions were exhausted, then it was his duty to have called in the twenty-five millions from those States having more than their proportion and to have given them to those States having less than their quotas. But as long as there remained any part of the fifty-four millions unissued the Comptroller could not call for the return of the twenty-five millions. And here he stuck, with one set clamoring for more currency and another set secure in the possession of their twenty-five millions excess, at the same time furnishing a stumbling-block to precipitate the President on his financial blunders.

The people asked for bread and the President gave them a stone; they asked for more currency, and he demands more taxation. He proposes to stop the people's complaints of "the whips" with the scourge of "the scorpions." After heading off this mischievous statement of the President, I shall make a passing remark upon a currency fallacy.

It has been argued that because gold is worth from 12 to 15 per cent. more than United States currency, there is a superabundance of currency. This is not true. The value of money is determined by the use which the law may assign to it, as well as by its quantity.

We have two legal-tender acts; the coinage acts of 1837 and 1849, making gold and silver a legal tender for all purposes, and the act of February 25, 1862, making Treasury notes a legal tender for all purposes except duties on imports and interest on the public debt.

With these two laws in force no amount of contraction of legal-tender notes will bring them to a par value with gold. The contraction may be extended until there shall be only two dollars, the one gold, the other a legal-tender note, and still the merchant and the Government being compelled to have the gold dollar, the one to pay the duty, and the other to pay the interest, would give the same premium for the gold that is now paid. I feel confident in asserting that if all the money in the United States were converted into gold, it would not be sufficient to float our vast and varied industries, to pay our enormous debts and taxes, and to meet the ever-increasing demands of trade and commerce. In my former speech on the currency I presented authentic statistics which would verify this assertion.

In this connection, perhaps it would be well to bring home to the American people a sober, practical question—the power of the Government over its own currency directly through its laws, or indirectly through its banking corporations. The Government may control the quantity, regulate the value, and prescribe the use of its currency.

Let us take an example growing out of our recent civil war. In the Legal-tender cases, (12 Wallace, 540,) Justice Strong tells us that—

> The entire amount of coin in the country, including that in private hands as well as that in banking institutions, was insufficient to supply the Government three months. Foreign credit we had none.

The demand for money was immeasurably beyond the supply of gold. Besides, gold was too great a coward to mingle in the robust

diversions of war, but it fled from the strife, hid itself in vaults, burrowed in the ground, and sought security in foreign lands. The Government was forced to anticipate its resources and "to coin its credit." Treasury notes were employed, but the first issues were defective in not being made a legal tender. Justice Strong, in the same opinion, says:

> It is a historical fact that many persons and institutions refused to receive and pay these notes. * * * The vast body of men in the military service was composed of citizens who had left their farms, their workshops, and their business with their families to be provided for.

Congress met the exigency by making the next issues of Treasury notes legal tenders. The effect was galvanic to the paralyzed industries and magical to the Army and Navy. Although it has been said that "a nation may almost as well go to war with paper guns as a paper currency," yet we know that the whole national machinery, civil and military, was moved under the propelling power of legal-tender notes. The Government, however, was forced to change its unit of value from the gold dollar to the legal-tender Treasury note, and to run up its paper obligations to about $2,700,000,000. Besides, all money contracts and property values were changed, and were represented by the legal-tender note as the money of account.

But the war came to an end, and then came the greatest financial blunder of the age. I proved in a former speech that there was circulating as currency in different varieties on the 31st of August, 1865, $2,192,395,627; and from that date to the 1st of November, 1873, that the Government reduced that amount to a total available currency of $631,488,676, making a reduction of $1,560,906,851. The Government was seized with a contraction mania and attempted to tumble the whole financial system from the appalling precipice of expansion, with almost unbroken fall, crushing down upon an imaginary gold level, instead of descending with slow and cautious steps safely along the shelving declivities. There were financial advantages to be obtained even in the financial calamity. The New England and Middle States managed to float their industries by securing a lobsided volume of the remaining currency. The property of the Southern and Southwestern States has been shriveling up from a fair commercial value to a distress value, while the debtor classes have been postponing the day of retribution by loans and mortgages. The bondholder and the money capitalist, while they delude the Government with the specious arguments of prosperity, gloat upon the harvest of speculation which is already ripe for their sickles.

Our country is not without experience in being lifted upon the flood of expansion and then stranded by the sudden ebb of contraction. Hear Mr. Jefferson on the subject in his letter to H. Nelson, March 12, 1820:

> This State [Virginia] is in a condition of unparalleled distress. The sudden reduction of the circulating medium from a plethory to all but annihilation is producing an entire revolution in fortune. In other places I have known lands sold by the sheriff for one year's rent; beyond the mountain we hear of good slaves selling for one hundred dollars, good horses for five dollars, and the sheriffs generally the purchasers. Our produce is now selling at market for one-third of its price before this commercial catastrophe, say flour at three and a quarter and three and a half dollars the barrel. * * * I fear local insurrections against these horrible sacrifices of property.

"Contraction" and "gold" are the shibboleths of the money oligarchs. No matter what the financial distress, we must contract our currency and debts to the gold basis.

They appealed to the supreme judiciary of the United States to pull

down the pillars of our national currency. Hear the rebuff of the court:

> The debts which have been contracted since February 25, 1862, constitute, doubtless, by far the greatest portion of the indebtedness of the country. They have been contracted in view of the act of Congress declaring Treasury notes a legal tender, and in reliance upon that declaration. Men have bought and sold, borrowed and lent, and assumed every variety of obligations, contemplating that such payments might be made in such notes. Indeed legal-tender Treasury notes have become the universal measure of values. If now, by our decision, it be established that these debts and obligations can be discharged only by gold coin; if, contrary to the expectations of all parties to these contracts, legal-tender notes are rendered unavailable, the Government has become an instrument of the grossest injustice; all debtors are loaded with an obligation it was never contemplated they should assume; a large percentage is added to every debt, and such must become the demand for gold to satisfy contracts that ruinous sacrifices, general distress and bankruptcy, may be expected. These consequences are too obvious to admit of question. (12 Wallace, 529, 530.)

Baffled by the courts, the contractionists laid siege to Congress; repulsed by Congress, they appealed to the President, whose views are singularly in accord with theirs, to bar the gap of legislation with his veto, except a plastic Congress shall mold a finance bill which shall be in agreement with his manifesto. Heaven defend the country from such additional calamity! He drives a tilt at the Supreme Court, at Congress, and a prostrate and imploring people. He would have the legal-tender clause of the act of 1862 repealed, to take effect on the 1st July, 1875, being within about one year. He would have the currency issued by the United States redeemed in coin on the 1st July, 1876, within two years. And to raise the gold he would issue more bonds, payable in gold, principal and interest. He would have all taxes after resumption begins paid in coin or United States notes. And with these preliminaries he would authorize free banking without limit.

The President's plan is like a sea which conceals the treacherous rocks beneath its smiling surface. Let us sound it before we launch upon it. He would repeal the legal-tender act. This would leave the coinage acts of 1837 and 1849 in force, and nothing but gold and silver would be a legal tender after one year. Hence after that date all the five-twenty bonds and other bonds stipulated in the bonds to be payable in "lawful money," all State and corporation bonds, and all private debts must then of necessity be payable in gold. This would give an additional value to the demands of the creditor of 12½ per cent., and subtract a corresponding value from the productions and property of the debtor. The public and private debt of our country amounts to about $8,160,469,000. To pay it in gold it would require a premium of about $1,000,000,000, and a corresponding increase of the value of the interest on the debt by making it payable in gold. The aggregate annual taxation of our country amounts to about $611,180,320; it would add an annual value of about $80,000,000 if paid in gold. The result—$1,000,000,000 profit to the creditor, $1,000,000,000 confiscation to the debtor, $80,000,000 additional annual taxation to the people. Comforting pictures for a distressed people!

But this is not all. The President would have the legal-tender notes redeemed in gold at the end of two years. The result would be that their increasing value would equal the interest of a gold-bearing bond, and many of them would be withdrawn from circulation and hoarded with the bonds. This would operate as another tightening cord on the property and industries of the country.

Again, to provide gold to redeem the legal-tender notes the President would crowd more gold bonds bearing gold interest on the market.

To get out of debt he would get deeper in. He would pay gold interest on the bond, when he pays no interest now on the legal-tender note. He would increase instead of lightening the burden of taxation.

And this is not all. Let us give a turn or two to the big gold wheel in the President's financial machinery and see how it will operate. The American bondholders would have undisputed sway over the gold which is fortunate enough to remain in the country. They would become gold brokers, buy up the currency, make it scarce, and force the people to pay high premiums on gold to pay debts and taxes. These taxes in part would return to the bondholders in payment of interest on their bonds, and be used in repeating the process of forced sales of gold to a circumvented people. The first revolution of the wheel shows that it cuts like a dredging-machine into the finances of the country.

But this is not all. After packing down our financial system under the weight of such a gold pressure, the President thinks that free banking will give the country ease. Let us try a little logic upon this. The national bonds constitute the exclusive primary capital of the national banks. The deposit of these bonds in the national Treasury is a preliminary condition to the grant of the bank charter. The trump cards are in the hands of the bondholders. In addition to filling the office of gold brokers, they are prepared to be installed national bankers and thus complete their supremacy over the national finances.

The national banks, now freed from the competition of legal-tender notes, our only free currency, would have the power to control the quantity of our currency, regulate the rates of interest, and fix the prices of labor, commodities, and property.

Look at the fearful consummation! The Government would be the tributary slave of the bondholders, and the people the victims of the broker-shops and the banks. Our country once abandoned to the juggling cupidity of the bond rings, the gold rings, and the bank-rings which would be born with a *nexus* out of the President's policy, they would form a financial triumvirate which in time would grow to equal the rapacity and spoliation of the old Roman triumvirate headed by Cæsar, Crassus, and Pompey. A money oligarchy is the most odious and merciless of all others. Bearing only a financial relation to the people, it regards them only as fit subjects of extortion. It goes for the last dollar of the poor and helpless. As tersely said by another:

> To an aristocracy existing on the annual interest of a national debt, the people are only of value in proportion to their docility and power of patiently bleeding golden blood under the tax-gatherer's thumb-screws.

The bondholder may now say that he is not—

> A dog, that he should do this great thing.

He has not yet taken the gradations to the extremities of avarice.

> No man e'er reached the heights of vice at first;
> By just degrees we mount from crime to crime,
> And perfect villain is the work of time.

But all this would not end our chapter of financial woes. We can endure great evils when we know that they soon will have an end. But the President's gold policy, once fastened on the back of the people, will make them swelter under the burden for ages. The gold will be dug out of the mountains, perhaps a century hence, to pay the last of our public debt. To aggravate our evils our country is under the double curse of a foreign debt as well as a home debt. Our

great national foreign debt was not only a political blunder but a political crime. It was the folly of the general who marched his army into the Sarboneau bog. But what is the amount of this foreign debt, and what are its demands upon our gold resources? Hon. D. A. Wells, Special Commissioner of the Revenue, in his last report (1869) estimated our foreign debt as follows:

National securities	$1,000,000,000
State, railway, municipal, and other securities	465,500,000
Total	1,465,500,000

Hon. E. Young, Chief of the United States Bureau of Statistics, in an article published in The Independent (New York) April 9, 1874, says:

Although there were no national securities held abroad at the commencement of our late war, yet some of the bonds of the Commonwealth of Pennsylvania, and probably of Massachusetts and other States, as well as railroad shares and securities, were owned in Europe. In the absence of accurate data on the subject, it is believed that fifty million is an ample estimate for these *ante-bellum* securities. With this addition our aggregate foreign debt amounts to about $1,200,000,000, and our annual interest charge to nearly $72,000,000.

What is our gold capacity to meet even the $72,000,000 annual interest on our foreign debt? The Statesman's Year Book, 1874, page 590, gives the following statistics:

The yield of the precious metals in the United States in the year 1871 was estimated at $66,663,000. Nevada produced the largest amount, $22,500,000; and after it came California, $20,000,000; Montana, $8,050,000; Idaho, $5,000,000; and Colorado, $4,663,000. Oregon, Washington, Utah, New Mexico, and Arizona Territories produced smaller amounts.

This shows that the annual productions of our gold fields are not equal to our annual foreign interest. When the interest has the odds against us, what will we do when we come to wrestle with the debt? To show that our country is already squeezed and sucked of its gold like an orange by our foreign debt I refer to the following table, furnished in the same Year Book, page 588, showing the total value of the gold and silver bullion and specie imported and exported from the United States in each of the six fiscal years ending June 30, from 1868 to 1873:

Years.	Imported.	Exported.
1868	$14,188,368	$93,784,102
1869	19,807,876	57,138,380
1870	26,419,179	58,155,666
1871	21,270,024	98,441,989
1872	13,743,689	97,877,534
1873	21,480,937	84,608,574

For 1873 $84,608,574 were exported and $21,480,937 imported. These figures show that the drain upon our gold has been equal to the productions of our mines. Let us look to a few facts in verification of this statement. Since the creation of our foreign debt the most wonderful activity and increase in the coinage of the precious metals has taken place in England, France, and Germany.

Mr. Freemantle, deputy master of the royal mint of England, says:

The gold coinage of 1872 has exceeded £15,000,000, ($75,000,000.) as against £10,500,000 ($52,500,000) coined in 1871, the average annual coinage before the latter year having been £5,000,000 ($25,000,000) only.

In his report for 1872 he adds:

No less than 672 tons of metal have passed through the melting department during the year, and this pressure of work has so fully engaged the attention of officers and men as to leave no time for the prosecution of experiments.

Again he says:

The coinage of gold in Germany has been carried on with energy during the year 1872, and the total amount of coin already struck is understood to exceed £31,000,000, ($155,000,000.)

A large part of the German coinage was from bullion and coin lately transmitted by France on account of the indemnity to Germany. While our country did not furnish all the material to swell the coinage of the European mints, yet it did contribute a large portion. My design has been to show that our foreign debt has made Europe the reservoir of American gold.

England, after her last French and American wars, was sinking under the burden of her debts and had been so depleted of her gold by foreign exportation that it required the omnipotence of Parliament to lift her out of the bog. Parliament prohibited the melting and exportation of the coin until the country was replenished by importation, and when the Bank of England was authorized to pay out coin for its notes it was only in sums under five pounds.

France, though recently prostrated by a terrible military disaster and burdened with the vast expenses of her own armies, was forced to submit to a foreign debt of five milliard francs, equal to one billion dollars. Yet she was not forsaken of political wisdom. Her first thought was to get out of the financial clutches of her German conqueror. Her policy was to make it a home debt, and to pay the gold interest to her own people and keep it at home. Her call for the loan was like a resurrecting trump. All the private burial-places of her gold gave up their treasures and her people hastened with it, in sums small and great, in bags and stockings, to pour it at the feet of the government. Thus she was enabled to anticipate a part of the German indemnity and to wipe out the balance at maturity. Long will her "stocking-loan" be memorable in the annals of finance.

Russia has tried the experiment of a foreign debt. In 1873 her foreign loans aggregated $550,059,000. Although her mines yielded annually $20,000,000, yet she was so drained of her gold in the payment of foreign interest that she was compelled to give her own people a forced paper currency of seven hundred and fifty millions, which for many years has been at a discount varying from 10 to 15 per cent. But she has changed her policy and is now cleaning out her foreign debt as fast as practicable.

But to recur to our own country. We see our financial life-blood ebbing away through our foreign debt without any efficient plan to arrest it. Our Constitution allows the free export of all commodities; therefore Congress, like the British Parliament, cannot prohibit the citizen from exporting gold. But were it otherwise, Congress has voluntarily pursued the opposite policy by creating the foreign debt, thereby giving free vent to the outflow of our gold. The gold which goes out to pay the Government debt goes out not to return; but it is run through foreign mints and is stamped with regal dies. It is not like the commercial debt of the citizen contracted abroad, for he brings in return valuable commodities as the consideration to combine with the labor and natural resources of the country, and in this way makes his debt a producing capital. The gold interest paid on our foreign debt is not only without compensating advantage, but it is a positive commercial and financial evil as I have already shown.

And this is not all. This foreign debt, as it is our curse in peace it will be our weakness in war. It may tie up the sword-arm of our nation when justice and honor would require that it should strike. In war, muscle and money are in close alliance. If the nation has not the money it must have its substitute, credit; and the larger its debt the weaker will be its credit. Among the great nations our country stands the richest in mines but the poorest in coins.

It is not practicable for our Government to overcome the large export balance of gold against her in the exchange of merchandise with other nations. The trade balance has been against us for a number of years. For the year 1873 our imports stood $642,030,539 against exports $626,595,077. But time will not permit me to dwell further on the foreign aspect of our finances.

Then it will be seen that the obligation of our foreign debt will have a controlling influence on our finances at home.

After our large annual export of gold, as I have shown, whence will we derive the gold to pay interest and sinking fund to the American bondholders, to redeem the legal-tender notes, to provide for specie payments by the banks, and to furnish sums under ten dollars to circulate among the people? When tested by the facts, the theory of the President and those of his mode of thinking will turn out to be a "beautiful impossibility." It is estimated by Mr. Young, Chief of the Bureau of Statistics, that $140,000,000 will cover the aggregate gold and silver coin in the United States, to wit:

In the Treasury of the United States, as per last report of the Treasurer	$88,145,324 22
Held by national banks, as per last report of the Comptroller of the Currency	19,868,469 45
Estimated balance held by gold-brokers and private persons	31,987,207 00
Total gold and silver coin	140,000,000 00

Of this sum the Government requires $127,918,856, according to last estimates of the Secretary of the Treasury, to pay interest and sinking fund.

The President confesses that we have not gold enough, because he calls for more gold bonds and more taxation.

The Treasurer of the United States in his last report, November 1, 1873, says:

> There has been a large falling off in the receipts, amounting to $28,280,764.07 on customs, (gold,) and to $16,912,863.58 on internal revenue.

He adds:

> Either taxation must be increased, an expedient that can hardly be thought of, or appropriations must be kept largely below the receipts. Otherwise the rapid reduction of the public debt will be arrested, if not abandoned.

So it will be seen that the Treasurer is already pushed to the wall. He can see but two alternatives for escape—taxation, or retrenchment.

The Treasurer inclines to retrenchment, the President to taxation and bonds. It cannot be disguised that all the tendons of our revenue and financial systems are now strained until they are ready to snap. As things now stand, our Government can do nothing but nibble off the excrescent interest of the public debt, and to do this it has to push the fibers of its revenue system into the pockets of all the people in the land, except the bondholders who must be protected, like Goshen amidst the plagues of Egypt, though famine may smite the rest of our land.

Now we are prepared to assert that if the quality of our legal-tender notes is not equal to gold the fault does not lie at the door of the

people. If our currency departed from its former unit of value—the gold dollar—it was done by the force of law. If it was increased or contracted in quantity it was by the act of the Government. If gold has become scarce by leaving the country, it was not expelled by the inferior paper currency as some may think, but it went at the bidding of the Government. Nor was it depreciated by any distrust of the public credit, for the legal-tenders stand on the same credit with the public bonds, which are the equal of gold in the market. So that our legal-tender notes were a necessity, and not enough of them at that by a large amount, as I think I demonstrated in my former speech. The only difference between them and the bonds is that the Government pays a semi-annual gold interest on the bonds and none on the notes. If they were made to bear an equal interest with the bonds they would instantly spring to the bond value and disappear from circulation and be hoarded with the bonds. Or if they should be made convertible into bonds bearing a like rate of interest, for the same cause they would disappear from circulation. The only way to keep them in free circulation is to pay no interest on them, nor to make them convertible into interest-bearing bonds to tempt the cupidity of the money-hoarder.

To the extent of our legal-tender notes the people would be sure of a currency and without taxation for its use. On the contrary, to have them absorbed in gold-bearing interest bonds it would not only aid in shrinking the whole value of the property and productions of the country to a gold basis, but it would require an annual tax of $20,000,000 in gold to pay the interest alone on the bonds substituted in their place. What imaginable profit can it be to the people to get rid of the present difference between gold and greenbacks, if it not only costs them a general loss on all their productions and property but the payment of $20,000,000 annual taxes in gold for years to come? In fifteen years the interest alone would cost the people $300,000,000 in gold. And to add to the injustice and folly of such a scheme, it would, perhaps, open another financial orifice for the outflow of our gold to foreign countries. To convert them into gold bonds it would not only shrink the whole value of the property and productions of the country, to that extent, to the gold basis, but it would also require an annual tax of twenty millions in gold to pay the interest on the bonds substituted in their place.

If, then, the Government has not been able to raise more than enough gold from its revenue laws to pay the interest and 1 per cent. per annum sinking fund on the public debt, and now, for the want of gold to redeem the legal-tender notes according to the proposed plan, would be forced to make gold bonds to raise it at the expense of $20,000,000 per annum interest, it becomes too plain for argument that after the Government has thus taken the lion's share there would be no gold left for circulation among the people, and not enough left to furnish a pretext for specie payment by our national banks. Should the banks attempt it the experiment would be as pitiable as the specie resumption of Secretary Richardson.

Then what means the clamor of the President and the contractionists for reducing our currency to a gold basis? It means that the legal-tender notes shall be converted into gold interest bearing bonds; el means more debt and more taxation. Such is the drift of the currency bill which recently passed the House, as well as the amendments to it reported by the conference of the two Houses. Sections 7 and 8 of the amendments proposed by this conference report show the manner in which the legal-tender notes were to be disposed of.

SEC. 7. That the entire amount of United States notes outstanding and in circula-

tion at any one time shall not exceed the sum of $382,000,000, which shall be retired and reduced in the following manner only, to wit: within thirty days after circulating notes to the amount of $1,000,000 shall, from time to time, be issued to national banking associations under this act in excess of the highest outstanding volume thereof at any time prior to such issue, it shall be the duty of the Secretary of the Treasury to retire an amount of United States notes equal to three-eighths of the circulating notes so issued, which shall be in reduction of the maximum amount of $382,000,000 fixed by this section; and such reduction shall continue until the maximum amount of United States notes outstanding shall be $300,000,000; and the United States notes so retired shall be canceled and carried to the account of the sinking fund provided for by the second clause of section 5 of the act approved on the 25th of February, 1862, entitled "An act to authorize the issue of United States notes and for the redemption and funding thereof and for funding the floating debt of the United States," and shall constitute a portion of said sinking fund. And the interest thereon, computed at the rate of 5 per cent., shall be added annually to said sinking fund. But if the surplus revenue be not sufficient for this purpose, the Secretary of the Treasury is hereby authorized to issue and sell at public sale, after ten days' notice of the time and place of sale, a sufficient amount of the bonds of the United States of the character and description prescribed in this act for United States notes to be then retired and canceled.

SEC. 8. That on and after the 1st day of January, 1878, any holder of United States notes to the amount of $50, or any multiple thereof, may present them for payment at the office of the Treasurer of the United States, or at the office of the assistant treasurer at the city of New York; and thereupon he shall be entitled to receive, at his option, from the Secretary of the Treasury, who is authorized and required to issue, in exchange for said notes, an equal amount of either class of the coupon or registered bonds of the United States provided for in the first section of the act approved on the 14th of July, 1870, entitled "An act to authorize the refunding of the national debt," and the act amendatory thereof, approved the 20th day of January, 1871, which bonds shall continue to be exempt from taxation as provided in said act: *Provided, however*, That the Secretary of the Treasury, in lieu of such bonds, may redeem said notes in the gold coin of the United States. And the Secretary of the Treasury shall reissue the United States notes so received either in exchange for coin at par, or, with the consent of the holder, in the redemption of bonds then redeemable at par, or in the purchase of bonds at not less than par, or to meet the current payments for the public service; and when used to meet current payments an equal amount of the gold in the Treasury shall be applied in redemption of the bonds known as five-twenty bonds.

Now, permit me to uncover one of the most cunning devices for additional taxation hidden beneath the artful prasecology of the seventh section.

Eighty-two millions of legal-tender notes are to be retired and canceled and carried to the account of the sinking fund provided for by section 5, act 25th February, 1862, "and shall constitute a portion of said sinking fund. And the interest thereon, computed at the rate of 5 per cent., shall be added annually to said sinking fund."

Now, to understand the meaning of this language, we must refer to section 5 of act 25th February, 1862, which is as follows:

SEC. 5. That all duties on imported goods shall be paid in coin, or in notes payable on demand heretofore authorized to be issued and by law receivable in payment of public dues, and the coin so paid shall be set apart as a special fund, and shall be applied as follows:

First. To the payment in coin of the interest on the bonds and notes of the United States.

Second. To the purchase or payment of 1 per cent. of the entire debt of the United States, to be made within each fiscal year after the 1st day of July, 1862, which is to be set apart as a sinking fund, and the interest of which shall in like manner be applied to the purchase or payment of the public debt as the Secretary of the Treasury shall from time to time direct.

Third. The residue thereof to be paid into the Treasury of the United States.

The sinking fund was commenced by Secretary BOUTWELL in 1869. Secretary of the Treasury Richardson, in his Public Debt and National Banking Laws, page 83, gives us the operation of the funding system, as follows:

Within each fiscal year, which ends June 30, the Secretary applies coin received from duties to the purchase of bonds to the amount of 1 per cent. of the entire debt

of the United States. The bonds so purchased were all registered in the name of the Treasurer of the United States in trust for the Government, and were stamped with the words "Sinking fund" on the face of each bond. The interest thereon was regularly collected in coin semi-annually and applied to the purchase of other bonds, which, in like manner, were added to the same fund.

So that it will be seen that the eighty-two millions legal-tender notes proposed to be "retired and canceled," instead of being carried to the "destruction account" in the Treasurer's office and an end made of them, are to be carried to the account of the sinking fund and stamped "Sinking fund," and 5 per cent. interest in gold collected on them annually out of customs duties until the whole of the public debt shall be extinguished; and the interest upon these canceled notes would require an increase of four millions annual taxation to pay it.

This is an ingenious specimen of the hocus-pocus science of taxation—to take the free currency from the people and at the same time tax them under the guise of retiring it.

The eighth section disposes of the remaining $300,000,000 legal-tender notes by providing for their exchange into coupon or registered gold bonds. Here we reach the bottom of this so-called specie basis. It means contraction, gold bonds, and taxation, leaving a distressed people to contend as best they can with the rapacity of the national banks, which have superseded all other banks of issue.

Let the country understand its financial position and its financial relations. The money monopolists, with a skill equal to that of the successful military leader, have been advancing under blinds and gaining position after position until they have reached an eminence of power from which they can rake all the resources of the people.

The present Administration has reached a financial extremity. It could not, if it would, give the people a currency based on coin. It has not increased the gold coin of the country one gold dollar in five years. Its bewildered financiers are like mariners in strange waters making experimental soundings to escape from the reefs. The people need not look to them for any permanent relief. It will not come. The wretched sons of toil, who go out with the opening of the day to make their bread in the sweat of their brow, may look in vain for a season of respite. Thousands of them have put the last strain upon the virtues of industry and economy and have failed to save their shelters from the inexorable grip of the tax-gatherer.

But the people are to be turned over to free national banks. If these banks were required by law to begin specie payments after the Government sequesters nearly all the gold for its own use, they would wind up and leave the country without a currency. They do not rest on a gold basis. To the extent of their issues they rest on the credit of the Government, and the Government rests its credit on the productions and property of the people.

The deposit creditors of the banks rest upon the personal credit of the stockholders to the amount of their respective stock. When the banks break their bonds held by the Government stand as security for their notes, while the depositors are left to work for anything they can find amidst the *detritus* of the remaining assets in a court of bankruptcy. Let not the people cherish the illusion that the national banks are to usher the golden era upon the country. The past history of American banking is by no means prophetic of golden realities. According to Mr. Walker, in his Science of Wealth, the average proportion of specie to currency has been only one dollar to five dollars from the existence of our Government.

About once in every nine years since 1784, coincident bank panics

in England and the United States have rocked the lands with financial convulsions. They have become historic as the panics of 1784, 1793, 1810, 1819, 1826, 1837, 1847, 1857, 1873, passing over "Black Friday"—each one leaving an attendant loss to the respective countries of at least $1,000,000,000.

But I have said enough to show that the financial policy of the Government is a failure. Its inexcusable blunder was in converting its floating debt into a funded debt. This floating debt would have been much easier to pay, and could have been paid in a shorter time than the funded debt, and paid, too, without material damage to contracts and shrinkage in the value of property. To have applied our gold receipts from customs, say at the rate of $150,000,000 per annum, in the payment of this debt, it would have resulted in keeping the gold in the country, diminishing the public debt, making more valuable the remaining portion of the debt by contraction, encouraging it to combine with the industries, and giving to it all the multiplying powers of production and reproduction. This would have been no injustice to the holders of the floating debt. Three-fourths of it were used as currency, and a part of it was already bearing interest. The annual contraction would have been equal in value to a paying interest on the deferred balance of the debt. And besides it could have been lent out as money and received interest for the use. But suppose at times it might have lain idle and unproductive; this is nothing more than nearly every farmer has to submit to in carrying over his idle capital through the unproductive seasons. His lands, his implements of husbandry, and work beasts are of but little value, but more often an expense, to him during the winter months. This process of paying off the floating debt would have filled the land with gold, which would have added to the permanent wealth of the country and furnished the best of all currency to the people.

The only way that I see open now to repair the blunder is to reverse the policy of the Government. As the currency was swallowed up in the bonds, let the bonds give back the currency. Let the five-twenty bonds be paid off in legal-tender notes. This would loosen the bands of contraction on the country and the country would "breathe freer and deeper;" it would appreciate the value of lands and furnish a currency for their purchase, so that the distressed debtor might sell off a part and save a part for his home, and we might say enable hundreds of thousands of tax-ridden debtors to redeem their homes which have been sold for taxes. Then let the legal-tender notes be redeemed in gold as fast as financial prudence will dictate—redeemed in the same gold collected from customs and which is now applied to the payment of interest and sinking fund to the foreign and home bondholders. This would turn the tide of the gold flow. It would bring it home from abroad and keep at home a due share of the products of our mines.

I know that it is a disputed legal problem whether the five-twenty bonds, which are by their terms payable in "lawful money," are solvable in legal-tender notes. I affirm that they are by principles decided by the Supreme Court of the United States, which court in part was created by the present Administration.

Time will not permit me to discuss the question now; but I should not fear to meet it before any judicial tribunal in any of its aspects of law, equity, or national faith.

The bondholders should remember that they received bonds worth about $2,500,000,000 for about $1,250,000,000 in true value. They should remember also, that their bonds acquired a threefold purchas-

ing power by the contraction of the currency consequent upon funding it in the same bonds. They should remember that the bonded debt constitutes about one-seventh of the assessed value of all the property in the United States, and by the grace of the Government this debt has sanctuary against taxation. They should remember that they made gain and "waxed fat" out of the calamities of their country. They should remember that while they *lent* a depreciated currency, the toil-worn and battle-scarred soldiers *gave* blood, the last, best gift, to their country's cause. And let them remember that, while they are insolent and dictatorial in the conscious supremacy of their money power, and stimulate the Government remorselessly to wring tribute from the poor and toiling millions, yet they have a slumbering power which will, sooner or later, be aroused to wield the ballot for the reform of the Government and their own vindication.

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